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ABSTRACT

This instructional unit is intended to inform students about the coins and paper money used by U.S. citizens to conduct daily financial transactions. The unit is designed to supplement the teacher's regularly assigned materials in economics. The booklet provides a brief study of currency in the United States. It is intended to serve as the basic reading for students and includes review questions and answers. The teacher's guide provides information on the overall unit with guidelines for incorporating the information in the basic booklet into a teaching unit on economics or the specific topic of money. It includes a set of discussion questions and the clues and key to a crossword puzzle transparency. The student activities booklet includes a word search puzzle, a crossword puzzle, and an exercise on making change. A 20-question multiple choice test with key is included for use in evaluating the students' understanding of the information presented. (JB)

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Our Money: A Booklet Prepared for Instruction in Grades 8 - 12

James F. Tucker
And Others

Federal Reserve Bank of Richmond, VA

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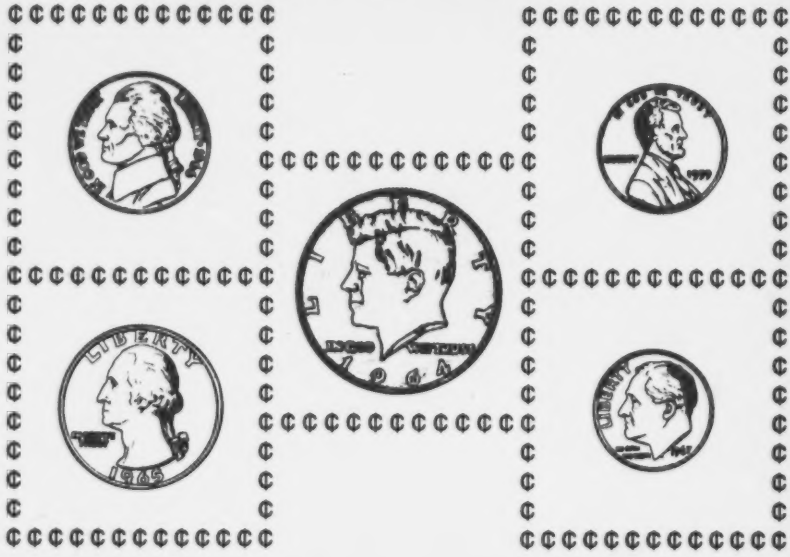
OUR MONEY



A Brief Study of Money in Use
in the United States

FEDERAL RESERVE BANK OF RICHMOND

OUR MONEY

A booklet prepared for instruction in
grades 8 through 12

by

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Federal Reserve Bank of Richmond
November 1987

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INTRODUCTION

As an American, there are certain things that you should know about the money you earn, spend, and save. For example, you should know what to do with paper money that is torn or badly worn; you should know the difference between a Federal Reserve note and a United States note; you should know the functions of money; and above all, you should know what determines the value of your money.

U.S. MONEY

Functions of Money

Money is a medium of exchange that is generally acceptable by all persons within the immediate community. For you, the immediate community is the United States and its territories and possessions. In addition to serving as a medium of exchange, money serves as:

- a store of value (your savings)
- a unit of account (your means of comparing prices of goods and services)
- a standard of deferred payment (your claim on goods and services that can be exercised now or in the future)

Key Legislation

The Constitution outlines only the broadest provisions for United States money, assigning ultimate power "to coin money" and "regulate the value thereof" to Congress. Over the years, Congress has deliberated upon and enacted more than 60 key statutes to shape our present monetary system.

The earliest monetary statute, the so-called "Mint Act" of April 2, 1792, established that "the money of account of the United States shall be expressed in dollars or units" and that principal subsidiary parts of the dollar be expressed in "dismes (sic) or tenths, cents or hundredths, and milles or thousandths" and that "all accounts in the public offices and all proceedings in the courts of the United States shall be kept and had in conformity to this regulation." By this action, the United States became the first of the present com-

munity of nations to adopt the decimal system for its currency. Another key statute was the Federal Reserve Act of 1913 (and its various amendments), which created the Federal Reserve System and, among other things, directed the Federal Reserve to manage the nation's supply of money and credit in such a way as to help achieve the basic economic goals of high employment and stable prices.

Policy Definitions of Money

As part of its responsibility for the nation's monetary system the Federal Reserve System periodically publishes the definitions of money. The most recently published definitions attempt to distinguish between money that is oriented toward transactions and money that includes other highly liquid balances that serve a variety of purposes. The narrowest of these definitions—M1—is designed to include balances that are commonly used in payment for purchases of goods and services—that is, assets thought to be held primarily to carry out transactions. Thus M1 consists of currency, travelers checks issued by nonbanking firms, demand deposits, and interest-bearing accounts with unlimited checking authority.

Legal Tender

Even though money can be defined in many ways, only the United States government has the authority to determine which money will constitute legal tender. Legal tender is money that must be accepted for the payment of all debts unless the debt instrument itself specifically calls for another form of payment, such as, for example, the delivery of commodities. Of the various components defined as money in M1, only currency is regarded as legal tender in the United States. Currency, often referred to as "cash," is also distinguished from other forms of money in that it may circulate freely from person to person without need for endorsement or reference to the character or credit of the bearer.

Other M1 Money

While demand deposits, travelers checks, and interest-bearing accounts with unlimited checking authority are not legal tender, they are usually acceptable in payment for purchases of goods and services. Like currency, these particular components of M1 are the

most liquid assets a person can have. In this sense, "liquid" refers to an asset that can be turned into the generally acceptable medium of exchange quickly without taking a loss. Two of these other components, namely travelers checks and interest-bearing accounts with unlimited checking authority, reflect the growing importance in the monetary system of depository institutions and certain other intermediaries as issuers of claims held by the public in lieu of deposits.

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PAPER MONEY

Many types of paper money have been issued during our nation's history. Regardless of when it was first issued, all paper money authorized by our federal government is still legal tender.

Federal Reserve Notes

By far the largest proportion of our paper money in circulation—over 99 percent—consists of Federal Reserve notes. The 12 Federal Reserve Banks are currently authorized to issue notes in denominations of $1, $2, $5, $10, $20, $50, and $100. Before 1945 Federal Reserve notes were also printed in denominations of $500, $1,000, $5,000, and $10,000. On July 14, 1969, denominations of $500 and larger were ordered retired. The Treasury seal and serial numbers on Federal Reserve notes are printed in green.

United States Notes

These notes make up less than one percent of our paper money. Since 1969, only the $100 denomination has been issued. Prior to 1969, $2 and $5 denominations were also issued. The $2 bill was discontinued in 1966, and the $5 bill was discontinued in 1968. The Treasury seal and serial numbers on U.S. notes are printed in red.

Other Types of Paper Money

Many other types of paper money have been issued over the years. National Currency notes were issued by national banks until 1935. Gold certificates, paper money that could be exchanged for gold, were issued until 1934. Silver certificates were issued until 1957. One-dollar silver certificates made up most of the $1 bills until the first $1 Federal Reserve notes were issued in 1963.

Size

All currently issued United States paper money is of uniform size regardless of type or denomination. Today's notes measure approximately 6.14 x 2.61 inches, are about .0043 inches thick, and weigh .03 troy ounces. Prior to July 1929, most notes measured 7.42 by 3.125 inches and, because of their large size, were often referred to as "blanket bills."

Portraits and Emblems

The portrait of a noted American statesman and certain emblems are features of the design of each denomination. Portraits and emblems on modern (small) size notes are:

Denomination	Face	Reverse
$ 1	Washington	Ornate One and U.S. Seal
$ 2	Jefferson	Monticello*
		Signing of Declaration of Independence**
$ 5	Lincoln	Lincoln Memorial
$ 10	Hamilton	U.S. Treasury
$ 20	Jackson	White House
$ 50	Grant	U.S. Capitol
$ 100	Franklin	Independence Hall
$ 500	McKinley	Ornate Five Hundred
$ 1,000	Cleveland	Ornate One Thousand
$ 5,000	Madison	Ornate Five Thousand
$10,000	Chase	Ornate Ten Thousand

*United States notes
**Federal Reserve notes

Seal

All denominations of paper money carry the Treasury seal. Prior to modernization of the design in 1968, the seal was encircled with the Latin inscription, *Thesaur. Amer. Septent. Sigil.*, an abbreviation of *Thesauri Americae Septentrionalis Sigillum*, meaning "The Seal of the Treasury of North America." The redesigned seal bears the legend, "Department of the Treasury" and "1789," the year the Treasury came into being.

Since 1935, the most familiar denomination of paper money—the $1 note—has also carried the Great Seal of the United States on its reverse. The Latin inscription, *E Pluribus Unum*—literally, "Out of Many, One"—appears on the seal's obverse. On the seal's reverse are two inscriptions: *Annuit Coeptis*, meaning "He Has Favored Our Undertakings," and *Novus Ordo Seclorum*, meaning "A New Order of the Ages." Also on the reverse, in Roman numerals on the base of an unfinished pyramid, is the year the Declaration of Independence was signed.

Serial Number

The serial number appears in two places on the face of all United States paper money—in the upper right and lower left portions. Serial numbers on all paper money now in common use are always in eight digits. They also have a prefix letter and a suffix letter, unless they are "star" notes.* The letters are considered a part of the number. Thus, on United States notes the first note of any denomination in a new series will have the serial number A 00000001 A; the second, A 00000002 A; and so on.

The National Motto

Legislation approved by Congress on July 11, 1955, instructed the Secretary of the Treasury to include the inscription "In God We Trust" on all United States currency—paper money as well as coins. The following year Congress adopted "In God We Trust" as the national motto.

The inscription made its advent on a bronze two-cent piece in 1864. The first notes to bear the national motto were $1 silver cer-

*Replacements for notes damaged in the printing process or found on inspection at the Bureau to be defective. On U.S. notes, a star replaces the prefix letter; on Federal Reserve notes, the suffix letter.

tificates paid into circulation on October 1, 1957. Today, the motto is included in the design of all coins and all classes and denominations of paper money.

MAKING OF PAPER MONEY

All United States paper money is produced in Washington, D.C., by the Bureau of Engraving and Printing, which also designs, engraves, and prints other official items such as postage and tax stamps. The Bureau operates 16 presses that print 8,500 notes per hour. Some of the presses are in operation 24 hours a day.

Highly skilled engravers cut the individual features of a note design into steel dies. Multiple plastic images of the various components are fitted into a 32-bill plate configuration in the first of a series of operations leading to the manufacture of press plates. For security reasons, each feature such as the portrait, vignette, ornaments, lettering, and script is the work of a separate engraver specially trained in his particular facet of the art. The intricate lacy design and borders are produced by means of a geometric lathe.

The Bureau takes all possible precautionary measures against counterfeiting. It uses, for example, a specially produced and distinctive paper and manufactures its own inks according to secret formulas. For anyone to manufacture or use a similar type of paper, except by special authority, is illegal.

ISSUANCE OF FEDERAL RESERVE NOTES

Before being issued to the public, Federal Reserve notes must be secured by legally authorized collateral, most of which is in the form of U.S. government and federal agency securities held by the Federal Reserve Banks.

The head office of each Federal Reserve Bank is located in a major city in one of the 12 Federal Reserve districts into which the United States is divided. Each district is designated by a number and the corresponding letter of the alphabet. The district numbers, the cities in which the 12 Banks are located, and the letter symbols are listed on the next page.

District		Seal	District		Seal
1	Boston	A	7	Chicago	G
2	New York	B	8	St. Louis	H
3	Philadelphia	C	9	Minneapolis	I
4	Cleveland	D	10	Kansas City	J
5	Richmond	E	11	Dallas	K
6	Atlanta	F	12	San Francisco	L

FEDERAL RESERVE DISTRICT MAP

The Federal Reserve Banks issue Federal Reserve notes according to the need in their regions. You can easily tell which Federal Reserve Bank authorized a particular note by looking at the Bank seal, printed in black at the left of the portrait and showing the name of the Bank in the circle. The letter corresponding to the district number stands in the center of the seal. The district number appears on both ends of the face of the note above and below the center area just inside the engraved border.

For example, the Federal Reserve Bank of Richmond is headquarters for the Fifth District. Notes issued by that Bank, therefore, carry the fifth letter of the alphabet, E, in the center of the Bank seal and the number 5 on the left and right, above and below the center area. The New York Bank is headquarters for the Second District; consequently, notes issued by that Bank have the second letter of the alphabet, B, in the seal and the number 2 in the four locations mentioned above.

As of November 1985, Federal Reserve Banks paid 2.6 cents for each note produced by the Bureau of Engraving and Printing. This price changes when labor, materials, and operating costs rise or decline.

COINS

In the United States, coins are a "convenience" money for daily transactions. Denominations in use today are the dollar (100 cents), half-dollar (50 cents), quarter (25 cents), dime (10 cents), nickel (5 cents), and penny (1 cent). Coins are produced by the Bureau of the Mint, also known simply as the Mint. The Mint is a division of the Treasury Department and is headed by the Director of the Mint, whose offices are in Washington, D.C. Operating mints are located in Philadelphia, Denver, and San Francisco.

Susan B. Anthony Dollar

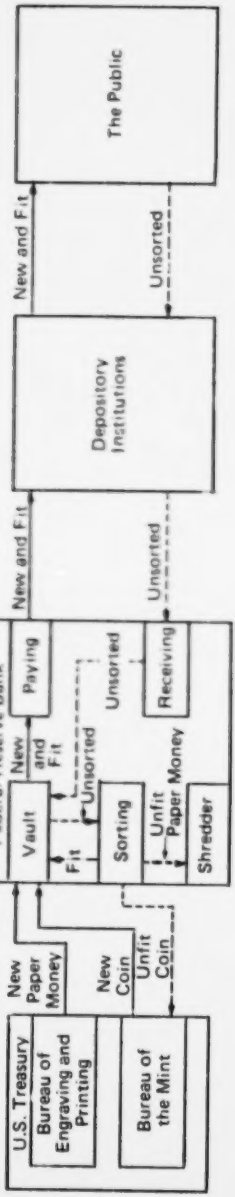
In July of 1979, the U.S. Mint released a new $1 coin that is less cumbersome to use than the old Eisenhower dollar coin. The new dollar coin carries the profile of Susan B. Anthony, an early crusader for equal rights for women. This is the first time that a portrait of an American woman rather than a symbolic woman has appeared on a circulating U.S. coin. On its reverse side, the coin depicts the symbolic eagle of Apollo 11 landing on the moon, a design which originally appeared on the Eisenhower dollar coin.

United States Gold Coins

Legislation enacted in 1985 authorized the U.S. Treasury to mint gold coins other than limited-edition commemoratives for the first time since 1933. The coins have nominal face values of $5, $10, $20, and $50 and are legal tender.

These gold bullion coins are sold by the Treasury at prices that fluctuate with the gold market and are not tied to the nominal dollar designation on the coins. The coins have special appeal for investors and collectors.

FLOW OF CURRENCY
into (⟶) and out of (- - -→) circulation



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HOW MONEY GETS INTO CIRCULATION

SUPPLY AND DEMAND

The public's need for money changes from time to time. The need for money may increase or decrease on different days of the week, on certain days of the month, and during different seasons. In agricultural regions the need for money is heavy during seasons when crops are being harvested. Throughout the country, the need for money increases immediately before holidays such as Easter, Labor Day, and Thanksgiving because these are periods when many people take trips, buy clothing, or for other reasons spend more money than usual. There is an extraordinary increase of currency in circulation in the days immediately before Christmas when money is used for shopping. After these holiday periods, excess money is redeposited in banks by merchants and other owners of businesses with whom the money has been spent. These banks, in turn, send the money to the Federal Reserve Banks.

In addition to daily, monthly, and seasonal changes in the need for money, there are changes in need that reflect changes in economic conditions. When economic activity is increasing, the need for money increases. When economic activity slows down, the need for money declines. From time to time, growth in population and changes in public buying habits contribute to changes in economic activity, which in turn contributes to changes in the need for currency.

An important function of the Federal Reserve System is to ensure that the economy has enough paper money and coin to meet public demand. Paper money and coin are placed in or retired from circulation by the Federal Reserve Banks, which use depository institutions as channels of distribution. When banks and other depository institutions need to replenish their supply of paper money and coin, they order the cash from the Federal Reserve Bank or Branch in their area, and the face value of that cash is charged to their accounts at the Federal Reserve. When the public's need for paper money and coin declines and depository institutions return excess cash to a Federal Reserve Bank, the value of the money returned by a given institution is credited to the account of that depository institution.

UNFIT MONEY

Disposal

Like any other commodity, money wears out from handling and is sometimes accidentally damaged or destroyed. The average life of a $1 bill, for example, is about 17 or 18 months. Larger denominations usually last longer because they do not circulate as often as the $1 bill. The Treasury asks banks and other depository institutions to send old, worn, torn, or soiled money to a Federal Reserve Bank to be exchanged for new.

As the Federal Reserve Banks receive money from commercial banks and other depository institutions, they count and sort it according to whether it is "fit" or "unfit" and store the fit (reusable) money in their vaults until it is needed. Paper money and coin that are unfit (not reusable) are retired. The retired, unfit paper money is automatically destroyed by machines that shred it to one-sixteenth of an inch. Approximately one-third of the bills sorted are rejected as unfit. Damaged and worn coins are returned to the Philadelphia Mint for melting and making new coins.

Redemption of Damaged Money

Paper money that has been mutilated or partially destroyed may in some cases be redeemed at full face value. If clearly more than half of a note remains intact, it may be redeemed at its full face value by Federal Reserve Banks and their Branches. More seriously damaged paper money must be sent to the Department of the Treasury for redemption. If less than half of its original area still exists, it will not be redeemed unless the Treasurer of the United States is satisfied, on the basis of evidence submitted, that the remainder of the note was totally destroyed. (Until January 1, 1971, a mutilated note could be redeemed at full face value only if clearly more than three-fifths of its original area remained intact; portions clearly larger than two-fifths but less than three-fifths of the original were redeemable at half of their face value. Prior to 1889, mutilated paper money was sometimes redeemed at discounts of 10 percent, 20 percent, and so on, depending on the size of the fragments presented.)

Mutilated coins also may be redeemed. Their redemption value depends on their type, denomination, and the extent of mutilation. Redemption of mutilated coins is handled by the United States Mint in Philadelphia. Coins that are merely bent or worn slick through natural wear are not considered mutilated and are exchangeable at full face value.

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HOW SOME MONEY IS CREATED

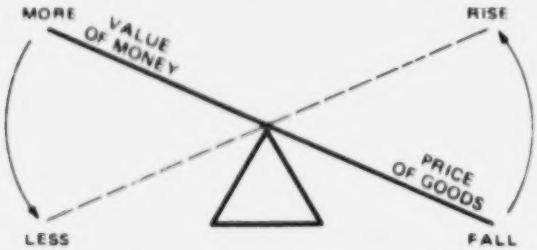
While the currency component of U.S. money is made at the Bureau of Engraving and Printing and the Mint, some money is actually created through the operations and activities of financial depository institutions. These operations and activities are often referred to as the "money-creating process."

To understand the money-creating process, one must first recognize that depository institutions—commercial banks and thrifts—operate under a fractional-reserve system. This means that each institution is required by federal law to hold reserves equal to a certain fraction of specified types of deposits. These required reserves can be held either as vault cash (currency on hand) or as deposits at a Federal Reserve Bank. If a bank receives a deposit, the amount of this deposit in excess of required reserves constitutes excess reserves for the bank and is available for loans. Because the bulk of a bank's loans are made by simply crediting the customer-borrower's deposit account, the loan in fact becomes new deposit money. When customer-borrowers write checks on these accounts and the payees deposit the checks with other banks, the process of setting aside required reserves and lending excess reserves is repeated. This process of money creation continues until total deposits amount to a multiple of the reserves supplied to the banking system by the Federal Reserve, where the multiple is determined by the required reserve ratio. The illustration below shows how an initial deposit of a $1,000 social security check at a commercial bank can generate an additional $4,000 of deposits in the banking system under the assumption of a reserve ratio of 20 percent.

Stage	Amount Deposited	Required Reserves	Excess Reserves	Loans and Investment Money Created
Initial Deposit	$1,000.00	$ 200.00	$ 800.00	$ 800.00
Stage 1	800.00	160.00	640.00	640.00
Stage 2	640.00	128.00	512.00	512.00
Stage 3	512.00	102.40	409.60	409.60
Stage 4	409.60	81.92	327.68	327.68
Stage 5	327.68	65.54	262.14	262.14
Stage 6	262.14	52.43	209.71	209.71
Stage 7	209.71	41.94	167.77	167.77
Stage 8	167.77	33.55	134.22	134.22
Stage 9	134.22	26.84	107.38	107.38
All Others	536.88	107.38	429.50	429.50
Total	$5,000.00	$1,000.00	$4,000.00	$4,000.00

VALUE OF MONEY

Money is actually a substitute for goods and services. Thus money's real value can be measured only in terms of the amount of goods and services that it will buy. This means that when prices of goods and services rise, money has less value. When prices fall, money has more value. Put very simply, one can say that the value of money goes in the opposite direction of the general price level.



Money, like anything else, derives its value from its scarcity. Assuming a constant rate of use, if the volume of money grows more rapidly than the rate at which goods and services are produced, prices will rise. This will happen because there will be more money to spend than goods and services to buy at prevailing prices. On the other hand, if the growth in the money supply does not keep pace with the economy's current production of goods and services, prices will fall, and the value of money will increase.

CONTROL OF MONEY

Money is a medium of exchange. Credit is the postponement of the payment of money. The supply of these two factors available at any specific time can have an effect on our economy. Through its ability to influence the supply of money and credit in the economy, the Federal Reserve System contributes to the attainment of the nation's economic goals. As the nation's central bank, the Federal Reserve attempts to ensure that growth in money and credit over the long run is sufficient to encourage growth in the economy in line with its potential and with reasonable price stability.

REVIEW QUESTIONS

These questions are designed as a self-test and should enable you to confirm your understanding of the material in this booklet. You should give yourself a score on this self-test and review the topics covering the questions that you answered incorrectly.

1. What are the four functions of money?
2. Who enacts statutes to shape our monetary system?
3. What denominations of Federal Reserve notes are furnished to banks for circulation?
4. Who determines the design of both coin and paper money?
5. What is the national motto on all U.S. currency?
6. Who prints Federal Reserve notes?
7. How many Federal Reserve districts does the United States have?
8. How much does each note cost?
9. Does the price of notes change and, if so, under what circumstances?
10. Where is paper money produced?
11. How does the Bureau of Engraving and Printing take precautionary measures against counterfeiting?
12. What denominations of U.S. coins are in common use today?
13. How is retired or unfit paper money destroyed?
14. How do you measure money's real value?
15. What development in our economy can cause the value of our money to decline?
16. Where are coins produced?
17. What happens to unfit money?
18. When prices fall, what happens to the value of money?
19. What form of money makes up the largest proportion of currency in circulation in the United States?
20. When banks and other depository institutions need to replenish their supply of paper money and coin, from whom do they order it?

1. A medium of exchange, a store of value, a unit of account, and a standard of deferred payment
2. Congress
3. $1, $2, $5, $10, $20, $50, and $100
4. The U.S. Treasury Department
5. "In God We Trust"
6. Bureau of Engraving and Printing of the U.S. Department of the Treasury
7. Twelve
8. 2.6 cents
9. Yes, when labor, materials, and operating costs rise or decline
10. In Washington, D.C.
11. It uses specially produced and distinctive paper and manufactures its own ink according to secret formulas
12. $1 (dollar), 50 cents (half-dollar), 25 cents (quarter-dollar), 10 cents (dime), 5 cents (nickel), and 1 cent (penny)
13. Shredded by machines
14. In terms of the amount of goods and services it will buy. When prices of goods and services rise, money has less value. When prices fall, money has more value. Put another way, the value of money goes in the opposite direction of the general price level
15. Rise in the prices of goods and services
16. At the Bureau of the Mint, also known simply as the Mint
17. It is retired
18. It rises
19. Federal Reserve notes
20. Federal Reserve Bank or Branch in their area

ANSWERS TO REVIEW QUESTIONS

THE MONEY MUSEUM

The Money Museum of the Federal Reserve Bank of Richmond houses a 575-specimen collection representative of the monies of our own land, of civilizations far distant in time and place, and of primitive societies. Among the primitive forms of money, the viewer will see a tree with coin-tipped branches; a tea brick made of pressed tea leaves mixed with ox blood and flavored with soot, which could be divided and spent or brewed to yield a medicinal drink; and porcelain-like shells, once valued as currency for trade among nations and prized as amulets as well. Closer in concept to conventional coins are the miniature replicas of weapons and farming tools of ancient China. Such pieces were assigned values and, unlike many other pre-coinage monies, had no use other than as media of exchange.

The rarest of the specimens are to be found in the exhibits that display the museum's collection of foreign coins, a collection that covers a span of more than 2,000 years and represents cultures as dissimilar as those of Judea and ancient Rome. Among the more interesting from the standpoint of the history of money are several that represent landmarks in the development of the conventional coin: a stater of Croesus, a sixth-century-B.C. coin minted in the Kingdom of Lydia, the birthplace of coinage; a tetradrachm of Athens, the first coin with a full design on each side; a guldiner of the Austrian Tyrol, the first dollar-size silver coin and one of the first coins to show the year of issue.

Central to the main objective of the museum are the twelve exhibits that tell the story of the monies of our own land. Graphics and brief explanatory texts carry the story line; specimens—grouped according to the period or the significant event to which they were most closely linked—illustrate the theme. For example, a portrayal of Martha and George Washington inspecting the first United States coins and a brief discussion of the establishment of the first United States Mint provide the historical framework for the display of the earliest Mint issues. In like manner, a montage depicting banking conditions in the 1811—1860 period and mention of the influence of public and private opinion on banking practices of the day set the stage for a display of notes of the Second Bank of the United States and of state banks during the second state-banking era. Adding dimension to the story of Colonial and United States

monies as told by means of graphics, texts, and specimens are a number of money-related artifacts, including a reproduction of the 1725 Franklin printing press, the first automatic coin-weighing machine, and a gold box in which gold bullion bars were packed for transport in the early 1800s.

Of the special-interest items, and there are a number, perhaps the most notable—certainly the one museum visitors tend to gravitate toward first—is a gold bar, 999.8 fine and weighing 401.75 troy ounces. The gold bar display case is equipped with two digital readout panels, one showing the current price of gold and the other the current value of the bar. A silver bar, 999.75 fine and weighing 1,061.16 troy ounces, is similarly displayed.

The museum is open to the public, Monday through Friday from 9:30 a.m. to 3:30 p.m., without appointment and without charge.

NOTES

This booklet is distributed free of charge.
Copies may be obtained
by writing to:

Federal Reserve Bank of Richmond
Public Services Department
P. O. Box 27471
Richmond, Virginia 23261

P-11

Student's Name _____

STUDENT EXERCISES

for the booklet

OUR MONEY

FEDERAL RESERVE BANK OF RICHMOND

WORD SEARCH MONEY PUZZLE

Find the words listed below in the square of letters and circle the words with a pencil. The answer may go up, down, diagonally, or backwards. In a phrase, the word to be found is underscored. Your instructor has the KEY.

1. Currency
2. Monetary base
3. Coins
4. Federal Reserve notes
5. Collateral
6. Bureau of the Mint, U.S. Treasury
7. Dollar
8. Seal
9. Postage stamps
10. Store of value
11. Slugs
12. Penny
13. Nickel
14. Dime
15. Quarter
16. Treasury
17. Cash
18. Money
19. Public
20. Shredded

W X C O V T E A Z U B Y O D H P R I
H E S R L S A Q Y L C S D I M E B O
N I Q T O E C X R I F Y B A O N P C
H D P U B L I C Z M D C X O J N W K
C O L L A T E R A L G M O N E Y B F
K G H M T R E A S U R Y E S G V L J
A X B F R S T A M P S E A L I A Y B
J H I N I C K E L A D B W U E O F E
B P Y C M Q Z E R T Y D L B C I M T
X T C N L A O C U R R E N C Y A F I
C G U K G E H S A G I W O A C J N L
D C V O M I N T D O S E T S L U G S
W O A A B Y E C J R H I E H F G B F
C I L J P N U M E V N O S E O E L J
V N U L O B K O A G J H I D V G H I
D S E M A L F H P O T Q A R C S B K
T N P S H R E D D E D M U A L W E A

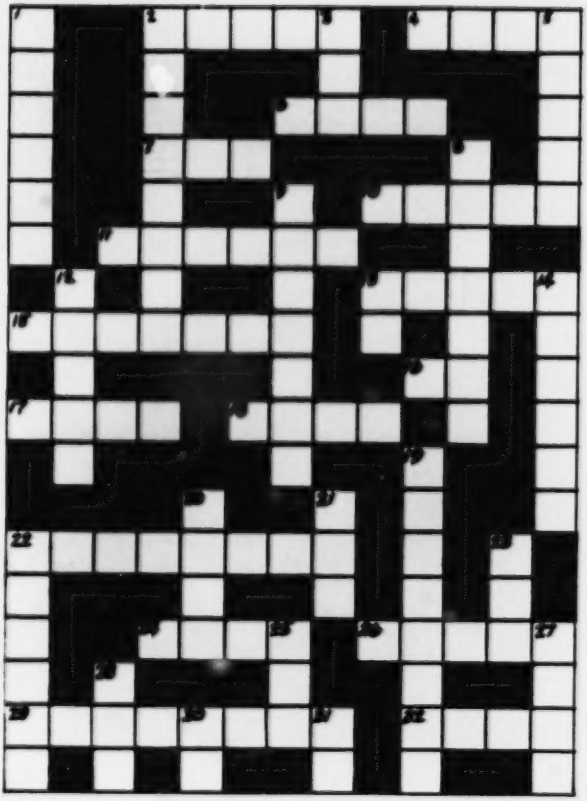
CROSSWORD MONEY PUZZLE II

Across

2. "In God We _____ " is our national motto
4. *"E Pluribus* _____ " is inscribed on the Great Seal
6. Susan B. Anthony's portrait is on the one-dollar _____
7 _____ U.S. money is legal tender
10. A one-cent coin is called a _____
11. Coins are produced by the _____ of the Mint
13. _____ money is shredded
15. The letter "B" appears in the Bank seal on notes of the Federal Reserve Bank of _____ _____
16. On _____ _____ (abbr.) notes, the Treasury seal and the serial numbers are overprinted in green
17. Coins and paper money are referred to as _____
18. Legislation approved in 1985 authorized the minting of non-commemorative _____ coins for the first time in more than 50 years
22. Money is actually a substitute for goods and _____
24. Money is an acceptable means of payment of _____
26. There are _____ denominations of U.S. paper money
29. U.S. paper money is produced by the Bureau of Engraving and _____
32. A ten-_____ coin is called a "dime"

Down

1. To _____ means to withdraw from circulation
2. The _____ Department designs coins and paper money
3. The serial number appears in _____ places on all U.S. paper money
5. _____ is a medium of exchange
8. All U.S. paper money is _____ in size
9. The portrait on twenty-dollar notes is of Andrew _____
12. U.S. and Federal Reserve notes are _____ tender
13. On _____ _____ (abbr.) notes, the Treasury seal and the serial numbers are overprinted in red
14. There are ____ Federal Reserve Banks
19. M1 consists of _____, travelers checks issued by nonbanking firms, demand deposits, and interest-bearing accounts with unlimited checking authority
20. The Lincoln Memorial is on the reverse of the ____ -dollar note
21. The portrait of ____ ____ ____ (initials) is on the face of the fifty-dollar notes
22. The Bureau of Engraving and Printing also prints _____
23. The _____ -dollar note is the most popular
25. Hamilton's portrait is on ____ -dollar notes
27. Each Federal Reserve ____ costs 2.6 cents
28. _____ is the number of the district in which the Federal Reserve Bank of Atlanta is located
30. The portrait of _____ _____ (initials) is on the face of two-dollar notes
31. The portrait of _____ _____ (initials) is on the face of one-dollar notes



EXERCISE ON MAKING CHANGE

Use more than one denomination of coins.

Example:

John agrees to pay Ken 27 cents for a comic book. He gives Ken two quarters. Ken owes John 23 cents in change. He gives John

Pennies	Nickels	Dimes	Quarters
3	2	1	☐

A. You are the clerk at a hotel and a customer asks you for change for a dollar because he needs two dimes to use the telephone. You give the customer

Pennies	Nickels	Dimes	Quarters
☐	☐	☐	☐

B. You are the clerk at a store. John buys a 7-cent bar of soap and pays for it with a quarter. You owe John _____cents. You give him

Pennies	Nickels	Dimes	Quarters
☐	☐	☐	☐

C. You are the clerk at a drug store. Amy buys a 28-cent newspaper and pays for it with two quarters. You owe Amy____cents. You give her

Pennies	Nickels	Dimes	Quarters
☐	☐	☐	☐

D. Your friend owes you 67 cents and pays you with a dollar. You owe your friend ____ cents. You give her

Pennies	Nickels	Dimes	Quarters
☐	☐	☐	☐

E. You are the clerk at a store and a customer buys a loaf of bread that costs 33 cents. She pays you with a dollar. You owe the customer _____ cents. You give her

Pennies	Nickels	Dimes	Quarters
☐	☐	☐	☐

F. You are the clerk at a hotel desk. A customer wants to buy a pack of chewing gum for 22 cents and also wants one quarter and one nickel in his change for use in a pay telephone. He pays you $1.00 for the gum. You owe the customer _____ cents. You give him

Pennies	Nickels	Dimes	Quarters
☐	☐	☐	☐

This booklet is distributed free of charge.
Copies may be obtained
by writing to:

Federal Reserve Bank of Richmond
Public Services Department
P. O. Box 27471
Richmond, Virginia 23261

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TEACHER'S GUIDE

for the booklet

OUR MONEY

FEDERAL RESERVE BANK OF RICHMOND

TEACHER'S GUIDE

for the booklet

OUR MONEY

by

Tucker, Garber, and Harless

Federal Reserve Bank of Richmond
January 1989

First Edition . . . . . September 1986
Second Edition . . . . . September 1987
Second Edition, revised . . . . . January 1989

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This document is a supplement to the booklet, *Our Money*, published by the Federal Reserve Bank of Richmond, and is a part of an educational exercise packet designed for use in studying money in the United States. The information presented here provides teachers with the overall objectives of the booklet, the purposes for which the booklet and accompanying student exercises can serve, as well as guidelines for incorporating the text material in the booklet into a teaching unit on the topic of money. A set of suggested classroom discussion questions based on the material in the booklet is also included, along with the answers.

PURPOSES AND OBJECTIVES

Our Money contains basic facts about the money used in the United States and is intended to inform students about the coins and paper money used by the nation's citizens to do business, buy the necessities and niceties of everyday life, and settle debts among themselves or with their government. The objective of the booklet is to supplement the teacher's materials in economics and to augment specifically other classroom materials on money in the United States.

Although this study of money is intended to be a learning experience for the student, we hope that the student will experience some enjoyment in the process of learning about money. To accommodate this objective, three game-type exercises are included in this packet, and depending on the wishes of the teacher, at least two of these exercises can be used as evaluations. For a final evaluation of the student's understanding of the material in the booklet, *Our Money*, the teacher may make up a test from or use all of the questions in the Test Bank, which is also included in this packet.

GUIDELINES FOR CLASSROOM PROCEDURE

The student should be directed to take the booklet home and study its contents for whatever period that fits in with the teacher's lesson plans. The student should be advised to take the Self-Test located in the rear of the booklet and give himself or herself a score. The answers are upside down on the page following the questions.

After the students have read the booklet and reviewed the material on those questions that they answered incorrectly on the Self-Test, the teacher should seek classroom recitation by the students on the

material in the booklet, using the Discussion Questions as the vehicle for the recitation. The answers to those questions are in this document.

Following the classroom recitation on the material in the booklet, the students should have an adequate understanding of money in the United States, and therefore should be ready for the various exercises designed to test this understanding. There are four such exercises in this packet: Crossword Money Puzzle I, a transparency for classroom use, and the three exercises found in the Student Exercises booklet–Word Search Money Puzzle, Crossword Money Puzzle II, and Exercise on Making Change.

Crossword Money Puzzle I (transparency) enables the teacher to display the puzzle on the blackboard for viewing by the entire class. The transparency is accompanied by a list of clues and the key to the puzzle. The teacher can write the clues on the blackboard one at a time, call on students for the correct word, and write the word in its proper place in the puzzle. Among other purposes, this exercise is designed to familiarize the students with a crossword puzzle and to prepare them for working Crossword Money Puzzle II in the Student Exercises booklet.

Making Change is an optional exercise that requires the student to supply the answers to certain problems by placing numbers in various boxes. It is suggested that students exchange papers with a classmate and grade the paper without assistance from the teacher. There is no key to this exercise since there is more than a single correct answer for each problem. When the papers are returned, each student should check on the accuracy of his or her evaluation.

The final exercise should be a test made up from the twenty (20) suggested questions in the Test Bank. These questions are of the multiple-choice variety and are based on the material in the booklet, *Our Money*. The answers to these questions are included in this document. The teacher may want to use the results of this test as the students' final evaluation on the topic of money in the United States.

Thus the sequence for instruction is . . .

1. The booklet, *Our Money*
2. Discussion Questions
3. Word Search Money Puzzle
4. Crossword Money Puzzle I (transparency)
5. Crossword Money Puzzle II
6. Exercise on Making Change
7. Test from the Test Bank

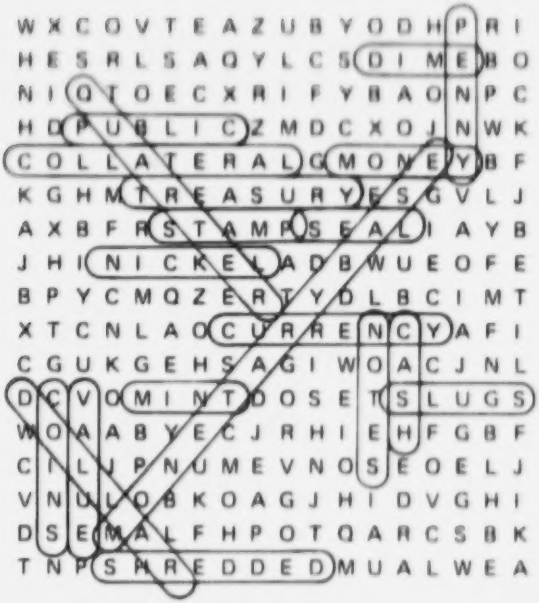
DISCUSSION QUESTIONS

1. Who pays for the printing of paper money?
2. What governmental agency is responsible for the production of coins?
3. In addition to serving as a medium of exchange, what other functions does money serve?
4. What is the meaning of legal tender?
5. To whom does the Constitution of the United States assign the authority to produce money?
6. What agency manages the monetary system of the United States?
7. What eventually happens to paper money that becomes too worn out to use?
8. What determines the real value of money?
9. Trace the flow of paper money from its production to the hands of the public.
10. List the denominations of paper money currently produced and furnished to depository institutions for circulation.

ANSWERS

1. Federal Reserve Banks
2. U.S. Treasury Department
3. As a store of value, a unit of account, and a standard of deferred payment
4. The money is acceptable for the payment of all public and private debts
5. U.S. Congress
6. Federal Reserve System
7. It is shredded at Federal Reserve Banks
8. Prices of goods and services which money is used to buy
9. Bureau of Engraving and Printing to the 12 Federal Reserve Banks to depository institutions to the public
10. $1, $2, $5, $10, $20, $50 and $100

KEY TO WORD SEARCH MONEY PUZZLE


W X C O V T E A Z U B Y O D H P R I
H E S R L S A Q Y L C S D I M E B O
N I Q T O E C X R I F Y B A O N P C
H D P U B L I C Z M D C X O J N W K
C O L L A T E R A L G M O N E Y B F
K G H M T R E A S U R Y E S G V L J
A X B F R S T A M P S E A L I A Y B
J H I N I C K E L A D B W U E O F E
B P Y C M Q Z E R T Y D L B C I M T
X T C N L A O C U R R E N C Y A F I
C G U K G E H S A G I W O A C J N L
D C V O M I N T D O S E T S L U G S
W O A A B Y E C J R H I E H F G B F
C I L J P N U M E V N O S E O E L J
V N U L O B K O A G J H I D V G H I
D S E M A L F H P O T Q A R C S B K
T N P S H R E D D E D M U A L W E A

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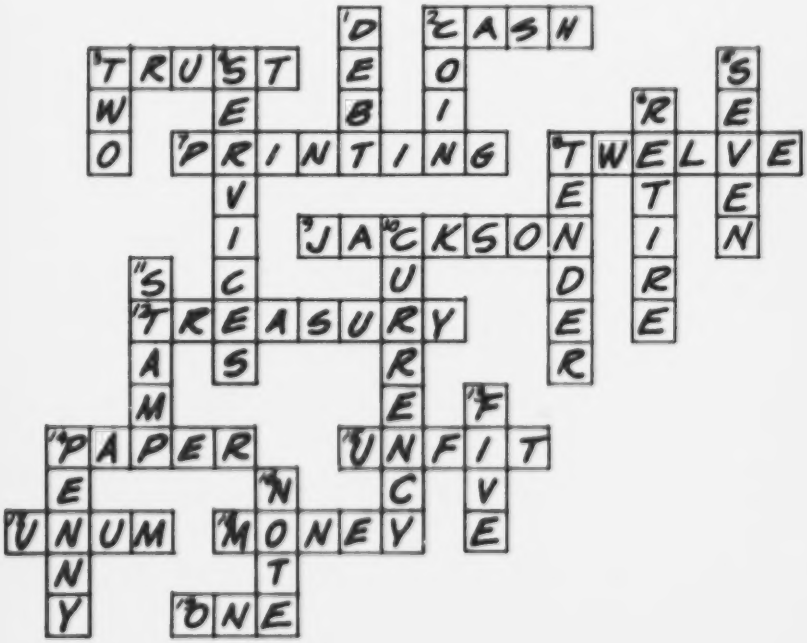
CROSSWORD MONEY PUZZLE I (Transparency)

Across

2. Medium of exchange
3. In God We _____
7. Bureau of Engraving and _____
8. Dozen
9. President
12. _____ seal
14. _____ money and coins
15. Worn
17. *E. Pluribus* _____
18. Legal tender
19. George Washington's portrait is on a_____-dollar note

Down

1. Money owed
2. Penny
3. Couple
4. Something to render
5. Number of coins plus one
6. Take out of circulation
8. Legal _____
10. Money
11. Postage
13. Richmond = E
14. Smallest denomination coin
16. Federal Reserve



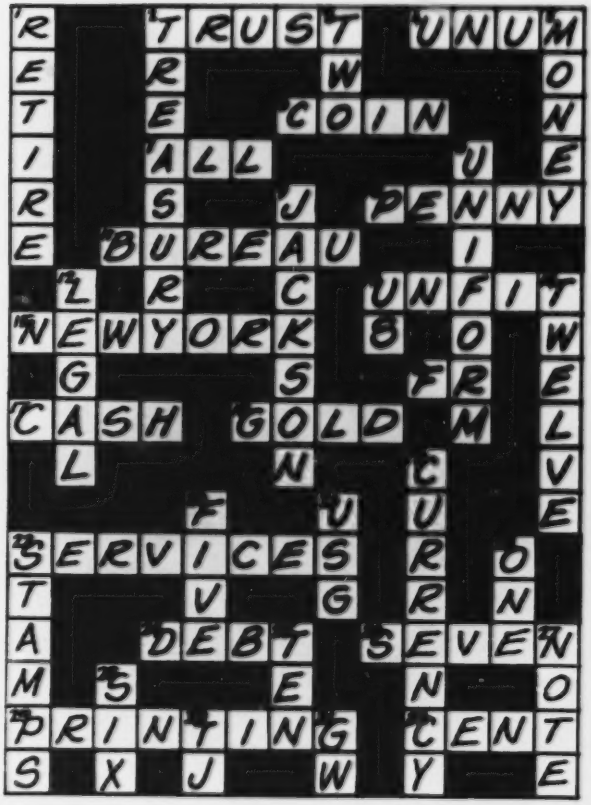
KEY TO CROSSWORD MONEY PUZZLE II

Across

2. Trust
4. *Unum*
6. Coin
7. All
10. Penny
11. Bureau
13. Unfit
15. New York
16. F.R.
17. Cash
18. Gold
22. Services
24. Debt
26. Seven
29. Printing
32. Cent

Down

1. Retire
2. Treasury
3. Two
5. Money
8. Uniform
9. Jackson
12. Legal
13. U.S.
14. Twelve
19. Currency
20. Five
21. U. S. G.
22. Stamps
23. One
25. Ten
27. Note
28. Six
30. T. J.
31. G. W.


R T R U S T U N U M
E R W O
T E C O I N N
I A L L U E
R S J P E N N Y
E B U R E A U I
L R C U N F I T
N E W Y O R K B O W
G S F R E
C A S H G O L D M L
L N C V
F U U E
S E R V I C E S R O
T V G R N
A D E B T S E V E N
M S E N O
P R I N T I N G C E N T
S X J W Y E

TEST BANK

Instructions:

Place a penciled circle around the letter of the alphabet next to the choice that you feel is the correct answer. Only one choice is correct. Each correct choice is worth 5 points.

1. Which government agency manages the nation's monetary system?
   a. U.S. Treasury Department
   b. Bureau of Engraving and Printing
   c. Federal Reserve System
   d. Bureau of the Mint
   e. Congress

2. When the public's need for currency declines, where do depository institutions send the excess cash?
   a. Bureau of the Mint
   b. U.S. Treasury Department
   c. Bureau of Engraving and Printing
   d. all of the above
   e. none of the above

3. Money, like anything else, derives its value from which of the following?
   a. commercial banks
   b. its scarcity
   c. Federal Reserve Banks
   d. Constitution of the United States
   e. U.S. Treasury Department

4. Which letter of the alphabet is in the seal on Federal Reserve notes ordered by the Federal Reserve Bank of Richmond?
   a. A
   b. E
   c. J
   d. D
   e. B

5. Which of the following is not among the denominations of paper money furnished to banks for circulation?
   a. $1
   b. $25
   c. $2
   d. $100
   e. $50

6. By far the largest proportion of paper money now issued in the United States is in the form of?
   a. coins
   b. travelers checks
   c. personal checks
   d. all of the above
   e. none of the above

7. To whom does the U.S. Constitution give the power "to coin money" and "regulate the value thereof"?
   a. U.S. Treasury Department
   b. Federal Reserve System
   c. Congress
   d. U.S. Mint
   e. President of the United States

8. All denominations of paper money carry which of the following?
   a. name of the U.S. President
   b. the Treasury seal
   c. portrait of George Washington
   d. all of the above
   e. none of the above

9. Coins are produced by which of the following?
   a. Federal Reserve System
   b. Bureau of Engraving and Printing
   c. Congress
   d. all of the above
   e. none of the above

10. Which of the following coins carries the profile of Susan B. Anthony?
   a. nickel
   b. quarter
   c. penny
   d. dollar
   e. dime

11. If a piece of paper money is mutilated and more than half of the original surface remains intact, a person may redeem this piece of money at which of the following?
   a. Bureau of the Mint
   b. Federal Reserve Banks
   c. Bureau of Engraving and Printing
   d. all of the above
   e. none of the above

12. If prices of goods and services fall, what will happen to the value of money?
   a. value of money will fall
   b. value of money will remain the same
   c. value of money will increase
   d. all of the above
   e. none of the above

13. If paper money is too mutilated to be redeemed at Federal Reserve Banks, it must be sent to which of the following in order to be redeemed?
   a. Bureau of Engraving and Printing
   b. Bureau of the Mint
   c. U.S. Treasury Department
   d. all of the above
   e. none of the above

14. Which of the following is part of the legally authorized collateral used to secure Federal Reserve notes?
    a. coins
    b. U.S. Government securities
    c. legal tender
    d. all of the above
    e. none of the above

15. If prices of goods and services rise, what will happen to the value of money?
    a. value of money will fall
    b. value of money will remain the same
    c. value of money will increase
    d. all of the above
    e. none of the above

16. As of November 1985, how much did Federal Reserve Banks pay for each note produced by the Bureau of Engraving and Printing?
    a. 5 cents
    b. a quarter
    c. 2.6 cents
    d. a dollar
    e. one penny

17. The Bureau of the Mint is a division of which of the following?
    a. Federal Reserve System
    b. Congress
    c. U.S. Treasury Department
    d. Federal Reserve Bank
    e. Bureau of Engraving and Printing

18. The Latin inscription, *E Pluribus Unum*, literally means which of the following?
    a. "In God We Trust"
    b. "The Seal of the Treasury of North America"
    c. "Out of Many, One"
    d. "This is Money"
    e. none of the above

19. Which of the following denominations of Federal Reserve notes has been retired?
    a. $100
    b. $50
    c. $500
    d. $10
    e. $5

20. Which of the following items are printed by the Bureau of Engraving and Printing?
    a. tax stamps
    b. postage
    c. Federal Reserve notes
    d. all of the above
    e. none of the above

KEY TO TEST BANK QUESTIONS

1. c	11. b
2. e	12. c
3. b	13. c
4. b	14. b
5. b	15. a
6. e	16. c
7. c	17. c
8. b	18. c
9. e	19. c
10. d	20. d

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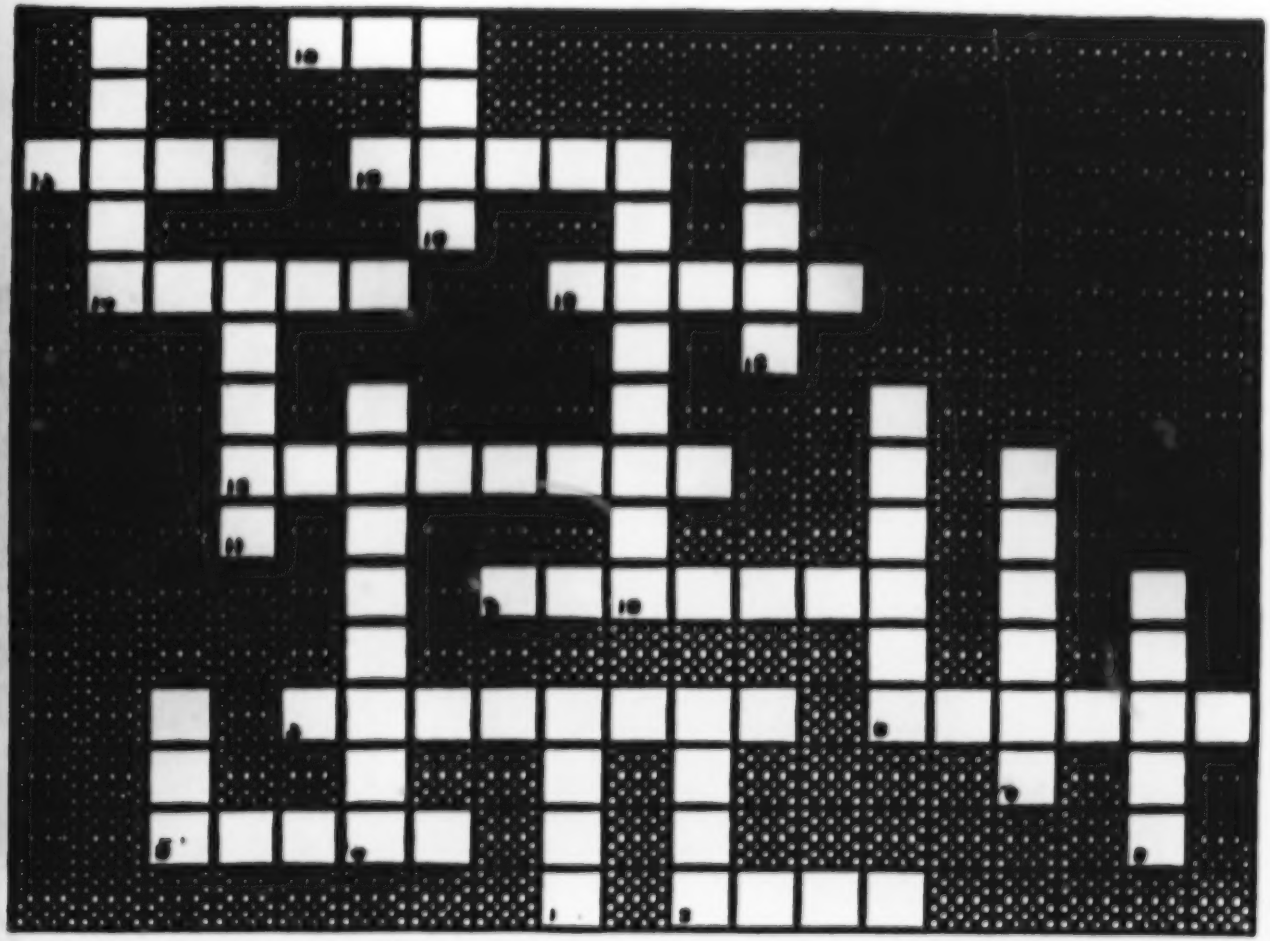

OUR MONEY
A Study of Currency
in Use in the United States
by
James F. Tucker, Barbara W. Garber, and Doris E. Harless

FEDERAL RESERVE BANK OF RICHMOND

This instructional unit consists of published materials on the money of the United States and is intended to inform students about the coins and paper money used by the nation's citizens to conduct their daily financial transactions. The unit is designed to supplement the teacher's regularly assigned materials in economics and to augment specifically other classroom information on United States money. *Our Money* can be used for instruction in grades 8 through 12.

The following is a list of the materials, along with a brief description of each item and its function.

1. **OUR MONEY**

   This booklet provides a brief study of currency in the United States. It is intended to serve as the basic reading for the student and the source document for enabling the student to complete the various components of the instructional unit. The booklet includes review questions and answers for the student and information about the money museum at the Federal Reserve Bank of Richmond.

2. **TEACHER'S GUIDE**

   This document provides teachers with information on the overall unit and with guidelines for incorporating the information in the basic booklet into a teaching unit on economics or the specific topic of money. It includes a set of Discussion Questions, along with information related to other phases of the exercise. This guide is part of a teacher's packet that includes all student components.

3. **CROSSWORD MONEY PUZZLE I (Transparency)**

   This puzzle, to be displayed to the class by overhead projector, can be used to show how to work a crossword puzzle while evaluating the students' grasp of the materials. This practice exercise for the class should prepare the students to be able to work the puzzle in the Student Exercises booklet. The puzzle clues and the key are in the Teacher's Guide on page 9.

4. **STUDENT EXERCISES**

   This booklet includes the following:

   Word Search Money Puzzle
   This exercise is designed to be fun while testing the student's understanding of the information in the *Our Money* booklet. The key to the puzzle is in the Teacher's Guide on page 8.

   Crossword Money Puzzle II
   This puzzle also tests the student's understanding of the information in the *Our Money* booklet. The key is in the Teacher's Guide on page 10.

   Exercise on Making Change
   This exercise teaches the student how to make change up to a dollar, how to count money, and how to do basic arithmetic.

5. **TEST BANK**

   The teacher can use some or all of these 20 multiple-choice questions to test each student's understanding of the information in the *Our Money* booklet. These same questions are in the Teacher's Guide on pages 11-15, and the answers are on page 16.

(continued on reverse side)

As presently constructed, *Our Money* is appropriate for use in grades 8 through 12. Consultations with various teachers, curriculum officials, and specialists in economic education indicate that this unit may be used to supplement other materials and widely used projects on the topic of money. Teachers should feel free to use all or selected parts of *Our Money* to meet their classroom objectives in this general topic.

The *Our Money* instructional unit is produced by the Federal Reserve Bank of Richmond, and classroom sets may be obtained free of charge by sending the order form from the enclosed brochure to the:

Federal Reserve Bank of Richmond
Public Services Department
P.O. Box 27471
Richmond, Virginia 23261

TEST BANK
based on material
in the booklet
OUR MONEY
by
Tucker, Garber, and Harless

Instructions:

Place a penciled circle around the letter of the alphabet next to the choice that you feel is the correct answer. Only one choice is correct. Each correct choice is worth 5 points.

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   b. Bureau of Engraving and Printing
   c. Federal Reserve System
   d. Bureau of the Mint
   e. Congress

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   e. none of the above

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   a. A
   b. E
   c. I
   d. O
   e. B

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   c. personal checks
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   e. none of the above

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   c. Congress
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   e. President of the United States

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   c. portrait of George Washington
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    a. value of money will fall
    b. value of money will remain the same
    c. value of money will increase
    d. all of the above
    e. none of the above

16. As of November 1985, how much did Federal Reserve Banks pay for each note produced by the Bureau of Engraving and Printing?
    a. 5 cents
    b. a quarter
    c. 2.6 cents
    d. a dollar
    e. one penny

17. The Bureau of the Mint is a division of which of the following?
    a. Federal Reserve System
    b. Congress
    c. U.S. Treasury Department
    d. Federal Reserve Bank
    e. Bureau of Engraving and Printing

18. The Latin inscription, *E Pluribus Unum,* literally means which of the following?
    a. "In God We Trust"
    b. "The Seal of the Treasury of North America"
    c. "Out of Many, One"
    d. "This is Money"
    e. none of the above

19. Which of the following denominations of Federal Reserve notes has been retired?
    a. $100
    b. $50
    c. $500
    d. $10
    e. $5

20. Which of the following items are printed by the Bureau of Engraving and Printing?
    a. tax stamps
    b. postage
    c. Federal Reserve notes
    d. all of the above
    e. none of the above

Federal Reserve Bank of Richmond

OUR MONEY
Evaluation Questionnaire

Teacher: _____

School: _____

City and State: _____ Zip _____

1. Were the purposes and objectives clear? Yes ___ No ___

2. Is the eighth grade the proper level for this activity? Yes ___ No ___ If no, for which grade level would this material be most appropriate? Why? _____

3. Did the students use the Review Questions as a Self-Test? Yes ___ No ___

4. Did the students seem to enjoy the Word Search Money Puzzle and the Crossword Money Puzzle? Yes ___ No ___

5. Did you have any difficulty using the transparency? Yes _____ No _____ If yes, please explain. _____
_____
_____

6. Did you use Crossword Money Puzzle II to evaluate student progress? Yes _____ No _____

7. Did you decide to use the Making Change exercise? Yes _____ No _____ If yes, do you think that it was useful? Yes ___ No ___

8. Are the Test Bank items appropriate for evaluating student mastery of this material? Yes _____ No _____

9. Did you use questions from the Test Bank in evaluating your students? Yes ___ No ___ If so, how would you rate the performance of your students in general? (please check one) Good ___ Fair ___ Poor ___

10. Should any topics or supplementary materials be deleted? Yes _____ No _____ If yes, please list _____
_____
_____

11. Should any topics or supplementary materials be added? Yes _____ No _____ If yes, please list _____
_____
_____
_____

12. Overall appraisal of the activity (please check one) Excellent _____ Good _____ Fair _____ Poor _____

Please send this evaluation to: Miss Doris E. Harless
Federal Reserve Bank of Richmond
Research Department, 21st Floor
P.O. Box 27471
Richmond, Virginia 23261